



PROJECT FUNDING REQUEST

BOARD DATE: December 17, 2020

PRESENTED BY: Kathy Hopkins

ACTION REQUESTED

Approve by resolution a request from the City of Fredericksburg (Gillespie County) for \$745,750 in financial assistance consisting of \$633,000 in financing and \$111,750 in grant from the Flood Infrastructure Fund for a flood early warning system project.

STAFF RECOMMENDATION

Approve **No Action**

BACKGROUND

Passed by the 86th Texas Legislature and approved by voters through a constitutional amendment, the Flood Infrastructure Fund (FIF) was created to provide funding for flood mitigation projects. The purpose of the FIF, as outlined in Senate Bill 7, is to assist in financing drainage, flood mitigation, and flood control projects. FIF projects presented for consideration have been scored and ranked using prioritization criteria outlined in 31 Texas Administrative Code § 363.404 and further specified in the 2020 Flood Intended Use Plan. The prioritized list of projects was approved by the Board on September 17, 2020.

KEY ISSUES

The selected project is eligible under Category 4, Measures Immediately Effective in Protecting Life and Property, of the 2020 Flood Intended Use Plan. This category of funding was designed for those projects that can be implemented quickly and are understood to be immediately effective in protecting life and property. Category 4 projects are eligible to receive a maximum of 90% grant funds based on criteria outlined in the Flood Intended Use Plan. Recipients of financial assistance may either use their own available funds or borrow FIF funds at 0% interest for any portion of the remaining project cost.

The City qualifies for 15% grant and the remaining portion in a 0% loan from the FIF. For the financial review section please see Attachment 1.

PROJECT NAME

Flood Early Warning System Improvements, Project Number 40067

PROJECT NEED AND DESCRIPTION

The City of Fredericksburg (City) has grown steadily over the past several decades, which required the Drainage Master Plan to be updated. The Drainage Master Plan ranked proposed capital improvement projects based on seven weighted criteria (street flooding hazard, infrastructure damage, at risk velocity, project cost, frequency of flooding, land acquisition needs, and availability of external funding). The Drainage Master Plan recommended the installation of a flood early warning system (FEWS) in order to improve public safety and timeliness of flooding response.

The project proposed to install FEWS with automatic flood gates and warning flashers at low water crossings that are overtopped during storm events to prevent both vehicular and pedestrian traffic

COMMITMENT PERIOD: SIX (6) MONTHS TO EXPIRE JUNE 30, 2021

from attempting to cross a flooded roadway. The gates and flashers will be activated by stream gages that are triggered when flood elevations reach a predetermined elevation. Additionally, the system will be able to provide advance notice of flooding conditions in the upper end of the watershed and provide an immediate response to improve overall public safety.

PROPOSED PROJECT FUNDING

TOTAL PROJECT COST	\$745,000
Grant amount requested from FIF	\$111,750
Loan amount requested from FIF	\$633,000
Local contribution	\$250
Local in-kind	\$0

PROJECT SCHEDULE

Task	Estimated Schedule Date
Closing/Contract Execution	March 5, 2021
Planning Phase (Ending Date)	March 31, 2021
Design Phase (Beginning Date)	April 1, 2021
Start of Construction	September 31, 2021
Construction Completion	March 31, 2022

LEGAL

Special Conditions

- Prior to closing, the City shall execute a Grant Agreement in a form and substance acceptable to the Executive Administrator; and
- Prior to closing, when any portion of financial assistance is to be held in escrow or in trust, the City shall execute an escrow agreement or trust agreement, approved as to form and substance by the Executive Administrator, and shall submit that executed agreement to the TWDB; and
- Prior to commencing construction of the Project, the City must submit the information listed in 31 TAC § 363.13, signed and sealed by a professional engineer registered in the State of Texas.

Attachments:

1. Financial Review
2. Resolution (20-)
3. Location Map

Financial Review

City of Fredericksburg

Risk Score: 2A

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2019	City: 0.97%	State: 1.24%
Top 10 Customers of the System	5%	<10-15%
Median Household Income Index %	84%	100%
Days of Cash on Hand (3-year Average)	9,155 days	30-149 days
Net Fixed Assets/ Annual Depreciation	5 years	12-24 years
Debt Service Coverage Ratio	15.91x	1.0x
Debt-to-Operating Revenues	1.47x	4.00-5.99x

Key Risk Score Strengths

- Due to the drainage system's revenue and lack of debt, the system's debt coverage ratio is well above the benchmark.
- Days cash on hand is well above the benchmark showing the City's ability to handle surges in short-term liabilities.

Key Risk Score Concerns

- The City has only pledged its drainage system revenues; however, the system's revenues are well above the payments needed for its debt.

PLEDGE

Legal Pledge Name	Drainage system revenue
Type of Pledge	<input type="checkbox"/> Tax <input checked="" type="checkbox"/> Revenue <input type="checkbox"/> Tax & Revenue <input type="checkbox"/> Contract <input type="checkbox"/> Other
Revenue Pledge Level	<input checked="" type="checkbox"/> First <input type="checkbox"/> Second <input type="checkbox"/> Third <input type="checkbox"/> N/A

RATES AND CHARGES

Average Residential Use	Gallons/Month	Current Rates	Projected Rates	Current Household Cost Factor	Projected Household Cost Factor
WATER	7,218	\$42.77	\$48.33	1.99%	1.99%
WASTEWATER	7,218	\$28.76	\$28.76		
Drainage	N/A	\$5.61	\$5.61	0.13%	0.13%

TAXES

	2020 Tax Year Rate	Max Projected Tax Rate (2021)	Maximum Allowable Rate	3-Year Avg Current Tax Collections	Assessed Valuation
Maintenance & Operation	\$0.18	\$0.18	\$2.50	94%	\$2,366,256,010
Interest & Sinking	\$0.04	\$0.04			
Total Tax Rate	\$0.22	\$0.22			

Cost Savings

Based on a 30-year maturity schedule and current interest rates, the City could save approximately \$341,694 over the life of the financing. The City is also saving \$111,750 in grant funding.

Responsible Authority	Fredericksburg
Program	FLOOD
Commitment Number	G1001226, L1001227
Project Number	40067
List Year	2020
Type of Pledge	Revenue Pledge
Pledge Level (if applicable)	First Lien
Legal Description	\$111,750 City of Fredericksburg, Texas Grant Agreement, \$633,000 City of Fredericksburg, Texas Drainage System Revenue Bonds, Series 2021
Tax-exempt or Taxable	Tax-Exempt
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay = Escrow Release
Qualifies as Disadvantaged	No
Financial Managerial & Technical Complete	N/A
Phases Funded	N/A
Pre-Design	Yes
Project Consistent with State Water Plan	N/A
Water Conservation Plan	N/A
Overall Risk Score	2A

PROJECT TEAM

Team Manager	Financial Analyst	Engineering Reviewer	Environmental Reviewer	Attorney
Kathy Hopkins	Tyrone Alcorn	Robert Reynolds	Sara Sopczynski	Alexis Lorick

5. that the County has demonstrated that the benefit-cost ratio of the Project meets the requirements of the FIUP; and
6. that the request for financial assistance does not include redundant funding for activities already performed and/or funded through another source, in accordance with the FIUP; and
7. that the City has demonstrated that the application meets the requirements of the FIUP related to the National Flood Insurance Program in the area to be served by the Project; and
8. that the Project was developed using the best and most recent available data, in accordance with the FIUP; and
9. that the current water audit has been completed by the City and filed with the TWDB in accordance with Texas Water Code § 16.0121.

NOW THEREFORE, based on these findings, the TWDB resolves as follows:

A commitment is made by the TWDB to the City of Fredericksburg for financial assistance in the amount of \$744,750 from the Flood Infrastructure Fund, to be evidenced by the TWDB's proposed purchase of \$633,000 City of Fredericksburg, Texas Drainage System Revenue Bonds, Proposed Series 2021 and the execution of a Grant Agreement in the amount of \$111,750. This commitment will expire on June 30, 2021.

Such commitment is conditioned as follows:

Standard Conditions:

1. this commitment is contingent on availability of TWDB funds on hand;
2. this commitment is contingent upon the issuance of a written approving opinion of the Attorney General of the State of Texas stating that the City has complied with all of the requirements of the laws under which said Obligations were issued, that said Obligations were issued in conformity with the Constitution and laws of the State of Texas, and that said Obligations are valid and binding obligations of the City;
3. this commitment is contingent upon the City's continued compliance with all applicable laws, rules, policies, and guidance (as these may be amended from time to time to adapt to a change in law, in circumstances, or any other legal requirement), including but not limited to 31 TAC Chapter 363;

4. the City shall use a paying agent/registrar in accordance with 31 TAC § 363.42(c)(2);

The Following Conditions Must Be Included in the Obligations:

5. the Obligations must provide that the City will comply with all applicable TWDB laws and rules related to the use of the financial assistance;
6. the Obligations must provide that the City must comply with all conditions as specified in the final environmental finding of the Executive Administrator when issued, including the standard emergency discovery conditions for threatened and endangered species and cultural resources;
7. the Obligations must provide that the City will not begin construction for a portion of the Project until the environmental determination has been issued for that portion of the Project;
8. the Obligations must contain a provision requiring the City to maintain insurance coverage sufficient to protect the TWDB's interest in the Project;
9. the Obligations must include a provision wherein the City, or an obligated person for whom financial or operating data is presented to the TWDB in the application for financial assistance either individually or in combination with other issuers of the City's Obligations or obligated persons, will, at a minimum, regardless of the amount of the Obligations, covenant to comply with requirements for continuing disclosure on an ongoing basis substantially in the manner required by Securities and Exchange Commission (SEC) in 17 CFR § 240.15c2-12 (Rule 15c2-12) and determined as if the TWDB were a Participating Underwriter within the meaning of such rule, such continuing disclosure undertaking being for the benefit of the TWDB and the beneficial owners of the City's Obligations, if the TWDB sells or otherwise transfers such Obligations, and the beneficial owners of the TWDB's bonds if the City is an obligated person with respect to such bonds under SEC Rule 15c2-12;
10. the Obligations must contain a provision requiring the City to levy a tax and/or maintain and collect sufficient rates and charges to produce system revenues in an amount necessary to meet the debt service requirements of all outstanding obligations and to maintain the funds established and required by the Obligations;
11. the Obligations must include a provision requiring a final accounting of the total sources and authorized use of Project funds to be made within 60 days of the completion of the Project;
12. the Obligations must include a provision requiring the City to deposit any bond proceeds from the Obligations that are determined to be surplus proceeds remaining after completion of the Project and completion of a final accounting,

including any interest earned on the bond proceeds, into the Interest and Sinking Fund;

13. the Grant Agreement must include a provision stating that the City shall either return or deposit into the Interest and Sinking Fund any grant funds that are determined to be surplus funds remaining after completion of the Project and completion of a final accounting, including any interest earned on the grant funds;
14. the Obligations must contain a provision that the TWDB may exercise all remedies available to it in law or equity, and any provision of the Obligations that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect;
15. financial assistance proceeds are public funds and, as such, the Obligations must include a provision requiring that these proceeds shall be held at a designated state depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Government Code, Chapter 2256 and the Public Funds Collateral Act, Government Code, Chapter 2257;
16. financial assistance proceeds shall not be used by the City when sampling, testing, removing or disposing of contaminated soils and/or media at the Project site. The Obligations shall include an environmental indemnification provision wherein the City agrees to indemnify, hold harmless and protect the TWDB from any and all claims, causes of action or damages to the person or property of third parties arising from the sampling, analysis, transport, storage, treatment, recycling, and disposition of any contaminated sewage sludge, contaminated sediments, and/or contaminated media that may be generated by the City, its contractors, consultants, agents, officials, and employees as a result of activities relating to the Project to the extent permitted by law;
17. the Obligations must contain a provision stating that the City shall abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States, as required by Texas Government Code, Chapter 2252, Subchapter G;
18. the Obligations must provide that the City will not cause or permit the Obligations to be treated as "federally guaranteed" obligations within the meaning of § 149(b) of the Code;
19. the Obligations must contain a covenant that the City will refrain from using the proceeds of the Obligations to pay debt service on another issue of obligations of the borrower in contravention of section 149(d) of the Code (related to "advance refundings");
20. the Obligations must contain a provision requiring the City to submit quarterly status reports on the progress of the Project that details information requested by the Executive Administrator. The Executive Administrator may withhold

authorization to release funds from escrow or adjust the amount of funds to be released from escrow based on the receipt of the quarterly status reports and the projected quarterly needs for the project

Pledge Conditions for the Loan

21. the Obligations must require the accumulation of a reserve fund of no less than average annual debt service requirements, to be accumulated in equal monthly installments over the initial sixty (60) months following the issuance of the Obligations;
22. if the City has existing revenue obligations with the same pledge of security as the proposed Obligations that will remain outstanding after the term of any financial assistance made by the TWDB pursuant to this commitment, the Obligations must contain a provision providing that the lien or liens securing the Obligations issued to the TWDB shall be at least on a parity with lien or liens securing such outstanding obligations;
23. the Obligations must contain a provision providing that additional revenue obligations may only be incurred if net revenues of the City's drainage system are at least 1.25 times the average annual debt service requirements after giving effect to the additional obligations when net revenues are a) determined from the last completed fiscal year or a 12 consecutive calendar month period ending not more than ninety (90) days preceding the adoption of the additional obligations as certified by a certified public accountant; or b) the City certifies that the City is expected to continue to meet or exceed the net revenue test of the City's drainage system with a minimum coverage of 1.25 times the average annual debt service requirement. An authorized representative of the City must provide the calculations, identifying reasonable assumptions, in a manner and format that is acceptable to the Executive Administrator;

Conditions to Close or for Release of Funds:

24. prior to closing, the City shall submit documentation evidencing the adoption and implementation of sufficient system rates and charges or, if applicable, the levy of an interest and sinking tax rate sufficient for the repayment of all system debt service requirements;
25. prior to the release of funds for the relevant services, and if required under the TWDB's financial assistance program and if not previously provided with the application, the City shall submit executed contracts for engineering and, if applicable, financial advisor and bond counsel, for the Project that are satisfactory to the Executive Administrator. Fees to be reimbursed under the contracts must be reasonable in relation to the services performed, reflected in the contract, and acceptable to the Executive Administrator;

26. prior to closing, when any portion of financial assistance is to be held in escrow or in trust, the City shall execute an escrow agreement or trust agreement, approved as to form and substance by the Executive Administrator, and shall submit that executed agreement to the TWDB;
27. prior to closing, the City's bond counsel must prepare a written, unqualified approving opinion acceptable to the executive administrator. Bond counsel may rely on covenants and representations of the City when rendering this opinion;

PROVIDED, however, the commitment is subject to the following special conditions:

Special Conditions:

28. prior to closing, the City shall execute a Grant Agreement in a form and substance acceptable to the Executive Administrator; and
29. prior to commencing construction of the Project, the City must submit the information listed in 31 TAC § 363.13, signed and sealed by a professional engineer registered in the State of Texas.

APPROVED and ordered of record this, the 17th day of December, 2020.

TEXAS WATER DEVELOPMENT BOARD

Peter M. Lake, Chairman

DATE SIGNED: _____

ATTEST:

Jeff Walker
Executive Administrator

